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Social networks of influence in Europe – and beyond

Dieter Plehwe

The transatlantic financial crisis has led to a backlash against European democracy. Even if the previous efforts to increase participation remained quite limited (Quittkat, 2011: 653-674; Hüller, 2010: 77-107), there had been a clear emphasis on strengthening supra-national and trans-national democracy in Europe up until around 2008. Enhanced NGO participation, citizen initiatives and online consultations reached out to social groups not normally involved in supra-national policy-making. After 2008 however, austerity policies were imposed by regimes outside the community framework, pitting rich States against poor States and reviving old centre-periphery notions and constitutionalising inequality. It is not entirely wrong to blame these developments on the Schäuble model, or, previously, that of Tietmayer (as argued by Bourdieu, 1998). The "dangerous idea of austerity" (Blyth, 2013) has certainly been promoted by Germany's treasury and the Bundesbank. Lids on budget deficits, an eye to a maximum level on public debt and low inflation are trademarks of German supply-side economics and stealth neo-mercantilism.

But simply blaming Germany does not answer important questions relating to structural and ideational change, which in fact does not rest within national borders. And with regards to this, we need to ask a number of questions. Where did the ideas, which have strangled Europe for quite some time now, come from? And why do influential circles in many EU Member States support these ideas, rather than call for a united opposition to German austerity leadership? Why do so many neighbouring countries defy calls for solidarity in the refugee crisis, rather than asking for a *quid pro quo* deal on public finance and crisis management? Why has Europe

seemingly become stuck on notions of neo-liberalism and nationalism, eventually paving the way for Brexit?

In this essay, I will argue that the once, more dominant frame of European inter-governmentalism is indeed misleading and inadequate in explaining the transnational rise of neo-liberal ideas behind much of the recent orientation of European integration. In order to explain this paradigm shift, we have to pay more attention to cross border elite networks, which have been involved in important controversies regarding European integration.

The competing European integration framework of neo-functionalism has always emphasised the role of elites in European integration processes, but scholars working in this tradition were exclusively focused on pro-European elites. The trajectory of integration, spill over, or more integration, never considered competing elites with different orientations. Elites were naively perceived as being in favour of Europe, not against it. In order to comprehend the recent struggles over the future of Europe, we have to disentangle this allegedly homogeneous social class, to make visible competing political elites.

Serious competition has emerged to the traditional mainstream elite perspective of an ever-closer union. The roots of this opposition are not nationalist, as one might think, in light of the also growing opposition from Le Pen and friends. The roots of 'limited integration', or 'economic integration only'-elites, can rather be traced back to organised neo-liberal circles that already opposed important aspects of the European project in the early days of the Treaty of Rome. The 1980s moved European integration and globalisation a good deal closer to ideals of free market capitalism. But the prospect of economic and monetary union followed by political union, after the collapse of the Soviet Union and German unification, reinvigorated neo-liberal opposition to deeper integration. Instead of the inter-State federalism, which Hayek had envisioned, already back in 1939 (Hayek, 1980 [1948]: 255–72), a centralised supra-national State – political union – seemed to be on the horizon. From Maastricht onward, European networks of organised neo-liberals mobilised to intervene in European debates in unprecedented ways.

We can trace some of the trails of the groups involved in the formation of neo-liberal perspectives back to the Mont Pèlerin Society and related think tank networks. The Mont Pèlerin Society was founded, amongst others, by Friedrich August von Hayek and Wilhelm Röpke in 1947, to start

competing with Socialist and Social Liberal ('Collectivist') convictions in particular, but also to work against certain strands of Conservatism. Hayek's reflections on the competitive implications of inter-State federalism has been credited, by Wolfgang Streeck (2014), for much of Europe's development. But Hayek's ideas did not play such a big role in Europe in the 1960s and 1970s, which begs the question, why they took on such a major role from the 1990s onwards (Höpner&Schäfer, 2012: 429–55).

Mont Pèlerin's neo-liberal Europe: From opposition to ambivalence to partial disintegration (never closer union!)

Hayek had in mind the model of the Fabian Society when he called a number of ideologically close colleagues and friends to convene in the Swiss Alps in 1947. The Fabian elite socialists developed a reformist programme of social reform in the late 19th century. Instead of entering party politics, public debate and politics at large, Fabians preferred to devote their effort to research, and to channel their findings and interpretations to powerful decision-makers.

From a liberal perspective, the 1930s were a dramatic, if not traumatic period. The Great Depression, Soviet rule in Russia and Nazi rule in Germany, were all not promising in terms of the prospect of global market Liberalism. Concerned circles of intellectuals were invited to Paris in 1938 in the framework of the League of Nations intellectual committees to discuss Walter Lippmann's book 'The good society'. At the Walter Lippmann meeting, participants which included Hayek, Mises and Röpke agreed on the need for a new programme in the face of (a) the failure of traditional Liberalism and (b) the rise of Collectivism, a lose category designed to capture all perceived enemies of the market and individuals on the Left and the Right. This programme was given the name "neo-liberal" (Denord, 2009: 45-67).

Critics of neo-liberalism frequently overlook the first part of the mission: addressing the weaknesses of classical Liberalism, which had perceived market capitalism as a natural, self-stabilising order. Neo-liberals instead recognised the need to secure market-capitalism, and ventured to compete with others ideologies on what kind of future direction social orders should take. For neo-liberals, it was clear that

market capitalism was preferable to alternative perspectives of mixed or planned economies. But the statement of aims of the Mont Pèlerin Society embraced social minimum standards "not inimical to initiative and the functioning of the market", and aimed at redefining "the functions of the State so as to distinguish more clearly between the totalitarian and the liberal order" (Hartwell, 1995: 41-42), making clear that the State should be in support of freedom (of contract), property rights and individualism. Democracy, on the other hand, was notably absent from the core of the neo-liberal programme. In any case, neo-liberals were, and are, looking for public policies that suit their project, not naïve supporters of pure or free markets, no matter how important this slogan became in the fight against the welfare state.

Already in the 1930s, participating scholars were to join forces in think tank offices in different countries, including in the UK, France, Switzerland and the U.S. The war intercepted this effort, which was taken up again by Röpke and Hayek when they allied after World War II to found the Mont Pèlerin Society. Much like the Fabians, Mont Pèlerin members did not directly seek political influence. They focused on internal debates and networking on the basis of shared norms and principled beliefs, like property rights, individualism, rule of law, and an adherence to absolute values in religious and philosophically idealist traditions. The values and principled beliefs of neo-liberalism have subsequently been constantly reproduced and applied to concrete fields in many discussions of the Mont Pèlerin Society conferences. For public purposes, many Mont Pèlerin members helped directing and staffing neo-liberal think tanks, like the Institute of Economic Affairs in the UK, and the Foundation of Economic Education and the American Enterprise Institute in the U.S., as well as the Aktionsgemeinschaft Soziale Marktwirtschaft in Germany (compare Walpen, 2004). The Mont Pèlerin Society meetings and think tank activities in turn were supported by a broad range of businesses and corporate foundations. Neo-liberalism was not created by business interests, but there clearly has been an elective affinity between neo-liberals and certain business perspectives from the very beginning. More importantly, Mont Pèlerin and think tank venues secured the interrelation of academic, business, media and policy making circles. The conscious networking across fields and domains provided neo-liberal networks with interdisciplinary and inter-professional competencies, which have undoubtedly proved very useful in exercising influence in policy arenas

and political circles. Operating in a mode "between network and complex organisation" (Plehwe&Walpen, 2006: 27-70), Mont Pèlerin searched for and directed efforts at developing alternatives to modern welfare state capitalism.

Ironically, a publication of the Fabian Society was early to observe the development of considerable intellectual capacities and new orientations challenging the mainstream in public debate emanating from Mont Pèlerin related circles:

"Hardly a week goes by without some conference of teachers, social workers or medical men being told that, for economic reasons, consumers must be charged directly for welfare services [...] Bits and pieces of the New Right's doctrine appear in various places, from the writings of Enoch Powell or the Bow Group to the propaganda of Aims of Industry, but it is most coherently expressed in the publications of the Institute of Economic Affairs (IEA). The IEA's output has been considerable." (Collard, 1968: 1)

Collard pointed to the systematic publishing activities of the neo-liberal think tanks and warned the Progressive movements as early as 1968(!) of the rise of a new social force:

"My own rather different worry is that the Left is being successfully outflanked by the New Right. While we argue about possible (marginal) extensions of public ownership the really important hard core of the present public sector (health, education and other social services) is being undermined. We are now at the beginning of a series of major assaults on the welfare services and rather than foraging around in the private sector we should look to our defences." (Collard, 1968: 5)

From defence to offence and flexible response: Neo-liberal ambivalence with regard to Europe

Between 1959 and 1987, Europe's economic and social policy was torn between the protection of mixed economies, public services, industrial policies and agriculture on the one hand, and the drive to remove obstacles to cross-border economic integration. Up until the 1980s, harmonisation played a considerable role as a perceived precondition of successful integration. From then on, the emphasis was on 'negative', rather than

'positive' integration, on deregulation and liberalisation, rather than harmonisation and convergence.

One member of the Mont Pèlerin Society, Fritz Machlup, an Austrian economist who had been forced to emigrate to the U.S. in the 1930s from his native Austria (like von Mises, Haberler and von Hayek), gave much time to studying the basic meaning of 'integration'. Confronted with notions of political integration in Europe, he delved into the history of economic integration, pointing to the necessity for the removal of obstacles (negative integration), rather than harmonisation, coherent regulation, or structural funds etc. (positive integration) (Machlup, 1977). Not only was he able to counter the dominant notion of political integration on this basis, he also refined the neo-liberal counter-proposal: economic integration requires the commitment to the removal of obstacles of all kinds, including political obstacles like public enterprise, regulatory competencies, non-tariff barriers, etc. And Europe was only a regional part of a larger task: the neo-liberal perspective on integration was global. 'Cosmopolitan capitalism', as Herbert Giersch wrote in 1989, on the eve of the post-Socialist expansion of the capitalist order (Giersch, 1989: 1-16).

Both Social Democratic and Conservative ideas of regulated capitalism eventually came under siege by neo-liberal ideas of deregulated or 'free market' capitalism across borders. Machlup's preceding intellectual efforts to develop a competitive notion of integration on behalf of neo-liberal strategies went unnoticed, by and large, until it attained relevance in the single market project of the 1980s and important court decisions like the *Cassis de Dijon* case of 1979. EU Commissioner Davignon proposed trade policy based on this ruling, which essentially required the removal of non-tariff trade barriers (like diverging consumer protections standards etc.). In economics, Mont Pèlerin member and president from 1986-1988, Herbert Giersch's analysis of 'Eurosclerosis' added momentum to the negative integration pathway chosen in the 1980s (Giersch, 1985). In political science, Fritz Scharpf's work on the negative integration bias of Europe seemed to validate the inevitability of European neo-liberalism. With hindsight, Fritz Machlup's historical investigation suddenly seemed to matter a lot.

But the collapse of the Soviet Union and German unification changed the terms of the debate again. The EU Commission president Jacque Delors jumped on the occasion to pursue a more ambitious agenda of

economic, monetary and political union, which turned out to be highly divisive. Progressives blamed the Maastricht Treaty as a major turn to neo-liberalism because it would for the first time institutionalise austerity criteria in an international treaty for the European members of monetary union. Overlooked by many, right wing neo-liberals (like Herbert Giersch, and a letter writing community of economists) also attacked the Maastricht Treaty because the criteria were considered soft, and difficult to enforce. In addition to such economic criticism of Maastricht, the 'British' Euro-sceptics formed in even stronger opposition to political union.

1990s: Neo-liberals move on and to Brussels

All those who are interested in Europe remember the famous Bruges speech, delivered by Margaret Thatcher, the founding event of the Bruges Group against an ever-closer union. Neo-liberal civil society networks had not mobilised many resources in Brussels before the 1990s, but did now with a vengeance. The Bruges Group started a considerable publishing activity of policy papers against many aspects of integration. Its Manifesto for Europe, of Europeans against technocratic rule from Brussels, attracted 600 signatures from Euro-sceptic academics. When the convention process was started to debate a political constitution, neo-liberals from across Europe pulled together the European constitutional group headed by Professor Christian Kirchner, a public choice economist from Berlin. In 1993 the network contributed a neo-liberal draft constitution to the process. The following members joined in the writing: *Peter Bernholz* (Switzerland); *Francisco Cabrillo* (Spain); *Gert Dahlmanns* (Germany); *Jacques Garello* (France); *Henri Lepage* (France); *Angelo M. Petroni* (Italy); *Joachim Rückert* (Germany); *Frank Vibert* (Great Britain); *Peter Stein* (Sweden); *Pascal Salin* (France).

The group included seven members of the Mont Pèlerin Society. It remained active after the collapse of the constitutional process. An open letter of the group (in modified composition), to the head of the European Council, Donald Tusk, in 2015 (dated December 1), opposed measures to increase solidarity across borders and presented yet another agenda for a limited Europe.

Around 2008-2010, an interruption in the neo-liberal networks occurred. For example, the Stockholm network, which had connected more than 100

think tanks, ceased activity in 2010. A major reason for this development – apart from the global financial crisis – was the formation of the Alliance of European Conservatives and Reformists, led by the British Tories and other right-wing parties from Poland and the Czech Republic (Vaclav Claus, a Mont Pèlerin member), among others. Its founding document, the Prague Declaration, states a clear neo-liberal programme for Europe, a blueprint for partial disintegration. The language is mostly Euro-sceptic. The only positive reference is the expressed desire for equality of Member States, big and small, as would be expressed by any good federalist.

The new party alliance opposed the collaboration of Conservatives and Socialists in the EP, and aimed at creating centre-right-wing majorities against deeper integration. Many activities of neo-liberal civil society networks now moved closer to established European party politics. AECR forged a new neo-liberal think tank network under the umbrella of the party foundation New Directions (Plehwe&Schlögl, 2014), which combines many former Stockholm network members. Brexit will certainly weaken the political party coalition of the AECR, but the Cameron wing of the Tories have already established their own 'open Europe' think tank, which operates with offices in London, Brussels and Berlin. Think tanks, in fact, are much less restricted with regard to their partners and affiliations than political parties, and can be considered extremely valuable in maintaining ties and promoting specific ideas and projects across parties and world-views. It still remains to be seen if Brexit will weaken neo-liberal perspectives. Neo-liberal networks are deeply entrenched in the various nations across the EU.

Opposing deeper integration, defending the *status quo* of corporate globalisation, losing Europe

Neo-liberal circles have been one of many competing social forces in the process of European integration. Their influence has always been relative. In the beginning of the European integration odyssey, the circles of Jean Monnet were arguably quite a bit stronger than the neo-liberal opposition. Neo-liberal perspectives gained influence in the 1980s, against a backdrop of the crisis of Fordism and a welfare state model plagued by rising unemployment, increasing expenses and public debt. The neo-liberal transformation of the welfare state has since become the mainstream in the age of "permanent austerity" (Paul Pierson).

With regard to the EU, the picture of the 1990s is more complicated: neo-liberals advanced in terms of deregulation, cross border liberalisation and the supply-side oriented austerity. But European integration also expanded in areas of environmental, social and labour market policies, much to the dislike of the friends of negative integration. Fighting these developments, European neo-liberals have now become more political in the framework of the European Alliance of Conservatives and Reformists and their New Direction foundation. Their programme is best understood as a prospect of partial disintegration, a limited EU that is imagined to come closer again to neo-liberal ideals.

Readers may still doubt that neo-liberals actually exist, since few are willing to officially embrace the label. But thankfully, Sam Bowman of the Adam Smith Institute recently declared a 'coming-out' of neo-liberals, which included the following (incomplete) positive list of essentials, notably excluding any reference to democracy, just as in the statement of aims of Mont Pèlerin:

1. Pro-markets
2. Pro-property rights
3. Pro-growth
4. Individualistic
5. Empirical and open-minded
6. Globalist in outlook
7. Optimistic about the future
8. Focused on changing the world for the better

(Bowman, 2016)

Unlike in 1947, social minimum standards are also notably absent, let alone notions of social citizenship. The paradoxical effect of the permanent neo-liberal hammering on the EU and the welfare state has of course helped the rise of neo-nationalist tendencies, culminating in Brexit, and Le Pen and Frauke Petry *ante portas*. This is the choice neo-liberals, and all Europeans face: promote neo-liberalism and move Europe ever closer to the brink of disintegration, or reconsider the scope of integration. Victims of globalised 'free market' capitalism look for protection. If workers and employees do not, or cannot, organise trade unions, they will get a Donald. Social security may be framed as an exclusive right of legitimate members of the Nation State, protected from outsiders and others that do not belong.

Or social citizenship may be considered solidarity of inhabitants of a social space shared by all who live together and need solidarity in order to tackle the problems and issues that result from common economic, political, ecological and other challenges, not least from the now extremely burdensome heritage of neo-liberal orders.

Neo-liberals united on the basis of common norms and principled beliefs back in the inter-war and post-war periods, which provided them orientation in their effort to organise across borders, which they aim to maintain to control people, but not capital. Progressives have been lost in national varieties of capitalism, welfare states and so on, instead of developing a competitive base across borders. The Left, in fact, has much to learn from the right-wing efforts to organise and coordinate across borders. Paradoxically, the Right has become the international party. Can the Left overcome its parochial inclinations?

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